

# THE SHIPPING BILL

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## ADDRESS

DELIVERED BY

HON. WILLIAM G. MCADOO

SECRETARY OF THE TREASURY

BEFORE

THE COMMERCIAL CLUB, AT CHICAGO, ILL.

ON JANUARY 9, 1915

RELATIVE TO THE MERITS OF THE BILL (S. 6856) TO  
AUTHORIZE THE UNITED STATES, ACTING THROUGH  
A SHIPPING BOARD, TO SUBSCRIBE TO THE CAPITAL  
STOCK OF A CORPORATION TO BE ORGANIZED UNDER  
THE LAWS OF THE UNITED STATES OR OF A STATE  
THEREOF OR OF THE DISTRICT OF COLUMBIA, TO  
PURCHASE, CONSTRUCT, EQUIP, MAINTAIN, AND  
OPERATE MERCHANT VESSELS IN THE FOR-  
EIGN TRADE OF THE UNITED STATES  
AND FOR OTHER PURPOSES



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1915

SUBMITTED BY MR. FLETCHER.

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IN THE SENATE OF THE UNITED STATES,  
*January 11, 1915.*

*Ordered,* That the address delivered by Secretary of the Treasury McAdoo before the Commercial Club at Chicago on the shipping bill, on January 9, 1915, be printed as a public document and that 5,000 additional copies be printed for use of the Senate document room.

Attest:

JAMES M. BAKER, *Secretary.*

ADDRESS DELIVERED BY SECRETARY OF THE  
TREASURY WILLIAM G. MCADOO BEFORE THE  
COMMERCIAL CLUB AT CHICAGO ON THE SHIP-  
PING BILL AS A MEANS FOR THE CREATION OF  
AN AMERICAN MERCHANT MARINE, JANUARY  
9, 1915.

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Since 1880 Democratic and Republican national platforms alike have declared, from time to time, in favor of an American merchant marine. During the whole of this period of 34 years political leaders of all parties and business men of every kind of political faith have recognized the necessity for a merchant marine under the American flag if our commerce is to expand and the American people are to have a fair share of the world's trade.

The Democratic national platform of 1912 contains the following:

We believe in fostering, by constitutional regulation of commerce, the growth of a merchant marine, which shall develop and strengthen the commercial ties which bind us to our sister Republics of the South, but without imposing additional burdens upon the people and without bounties or subsidies from the Public Treasury.

A similar declaration is found in the Democratic national platforms of 1880, 1884, 1904, and 1908.

The Republican national platforms of 1884, 1892, 1896, 1900, 1904, 1908, and 1912 contain declarations in favor of building up an American merchant marine, that of 1912 being as follows:

We believe that one of the country's most urgent needs is a revived merchant marine. There should be American ships and plenty of them to make use of the great American oceanic canal now nearing completion.

The Progressive Party made no specific declaration in favor of a merchant marine, but did declare strongly in favor of extending our foreign commerce, as shown by the following quotation from its platform of 1912:

The time has come when the Federal Government should cooperate with manufacturers and producers in extending our foreign commerce. To this end we demand adequate appropriations by Congress and the appointment of diplomatic and consular officers solely with a view to their special fitness and worth, and not in consideration of political expediency.

It is imperative to the welfare of our people that we enlarge and extend our foreign commerce. We are preeminently fitted to do this because, as a people, we have developed high skill in the art of manufacturing; our business men are strong executives, strong organizers. In every way possible our Federal Government should cooperate in this important matter.

These unequivocal declarations show conclusively that the creation of an American merchant marine is not a partisan question, but a vital policy of national importance upon which all parties have long been in agreement. Like the currency question, it has been talked

about interminably, but unlike the currency question it remains to be solved.

While both of the leading political parties are culpable for the plight in which our foreign trade now finds itself, because of their failure to create, as promised, an American merchant marine, the Republican Party is the more culpable, because it has had complete power to legislate during a large part of the last 20 years, when it controlled the executive and legislative branches of the Government and yet did nothing. The Democratic Party now has power to legislate, and it will be equally culpable if it fails to act. It will be even more culpable if it does nothing, since the emergency created by the European war has emphasized, as nothing else could have done, the supreme folly of subjecting the foreign commerce of this great Nation to the hazards of ocean transportation under the flags of nations now engaged in the most gigantic war of all time. Regardless of these hazards, it is even greater folly, from an economic point of view, to continue deliberately the policy of trying to build up a great foreign trade by leaving to our rivals the control of the vitally important instrumentalities of ocean transportation. So long as our competitors own the ships they make the rates, they control the service, and they determine the routes. With this power it is easy to favor their own commerce and discriminate against ours.

One of the most significant utterances on this point is contained in the Republican national platform of 1900:

Our present dependence upon foreign shipping for nine-tenths of our foreign-carrying trade is a great loss to the industry of this country. It is also a serious danger to our trade, for its sudden withdrawal in the event of European war would seriously cripple our expanding foreign commerce. The national defense and naval efficiency of this country, moreover, supply a compelling reason for legislation which will enable us to recover our former place among the trade-carrying fleets of the world.

The man who wrote that had the power of a seer and the vision of a statesman, because what is there advocated is irrefutably sound and what is there predicted is exactly what has happened—a European war has caused the “sudden withdrawal” of a large part of the foreign vessels upon which our foreign trade is dependent, and has seriously crippled “our expanding foreign commerce.”

It is necessary only to give a few figures to show how conclusively this is true.

At the outbreak of the European war in August last the total amount of gross steam tonnage of all the nations of the world was, in round numbers, 45,400,000. Of this approximately one-half is under the British flag. The largest part of the American tonnage is employed in the Lake and coastwise trade, and is not suitable for over-seas service. We have but 15 vessels of 1,000 net tons and over, regularly engaged in the trans-Atlantic and trans-Pacific trade. They aggregate 164,546 gross tons, and represent about one-third of 1 per cent of the world's gross tonnage. Our total gross steam tonnage, registered for the foreign trade, including everything under and over 1,000 tons, and including all steam vessels admitted to American registry since the war broke out, is only 1,061,676 tons, or little more than 2 per cent of the world's gross tonnage.

Since the outbreak of the European war reliable estimates show that 5,803,014 gross tons of ocean-going vessels have been withdrawn from commercial use, as shown by the following table:

	Tons.
German and Austrian.....	3, 507, 331
British vessels taken under Government charter.....	1, 700, 000
British vessels destroyed or seized by Germany.....	265, 000
Vessels lost by mines.....	330, 683
Total.....	5, 803, 014

Prior to the war a large part of our foreign trade was carried in German bottoms, but since they have been withdrawn from the seas, we are almost wholly dependent for the transportation of our foreign commerce upon the English flag. This commerce, by sea, for the 12 months ended June 30, 1914, aggregated the enormous total of \$3,785,500,000. So long as England commands the sea, our commerce will not be stopped. But who can foretell the eventualities of a great war? It is conceivable that a daring German squadron might get into the Atlantic and play havoc with our commerce in British bottoms. No one can tell how long the war will last, and every day that it continues our foreign trade is subject to its vicissitudes and dangers. Is it fair to our producers, our merchants, and our manufacturers to force such risks upon them? Are we justified in putting the prosperity of our country in needless jeopardy? Aside from this, our trade with some of the belligerent countries is practically destroyed for lack of American ships to carry noncontraband articles to them and to bring back noncontraband articles to us—articles sorely needed in the pursuits of peaceful industry and science. Notably is this true of cotton, which is urgently needed by Germany, Austria, and other countries. But we haven't the American ships. The wants of these countries can not, therefore, be supplied, nor can the necessities of our own distressed people in the South be relieved. Neutral flags can not be depended upon for this service. They can not get the necessary war risk insurance. While Congress has established a war risk insurance bureau in the Treasury Department, we can not, of course, insure ships not under the American flag.

But this is not all. The withdrawal of the large amount of tonnage—13 per cent of the world's total supply—has created a great scarcity of vessels with an unprecedented rise in ocean freight rates.

From every Atlantic and Gulf port there comes the cry of scarcity of ships and exorbitant rates. Let me cite a few conspicuous instances: In July last, the rate on grain from New York to English ports was 4 to 5 cents per bushel. In December it was 16 to 17 cents per bushel—an increase of about 300 per cent. To Rotterdam the rate was 6¼ cents per bushel. In December it was 30¾ cents per bushel—an increase of about 400 per cent. The rate on cotton from New York to Liverpool in July last was 20 cents per hundredweight. In December it was 75 cents per hundredweight—an increase of 275 per cent. The rates on cotton to Rotterdam have increased from \$1 to \$5 per bale, or 400 per cent. In July last the rate on cotton to Bremen was \$1 per bale. In December it was \$15 per bale, or 3 cents per pound of cotton.

On all commodities there have been increases in rates of from 50 per cent to 300 per cent, whether destined for English, European, or

Mediterranean ports. I will not multiply instances, nor weary you with statistics.

These enormous increases in rates constitute a heavy tax on the American producer. They are reflected in the lessened prices which he has been compelled to take for his product. The increased cost of carrying American produce and commodities to European ports since the war broke out runs into millions.

This great sum represents a heavy toll that has been exacted by foreign steamship owners from American shippers and producers. It is, in effect, a penalty they are paying for the failure of American politicians to carry out their repeated promises to the American people. Foreign owners may increase their rates overnight, arbitrarily—we have no power to prevent it—and we must pay the price or stop our shipments. Already our commerce is being injured and our prosperity is being retarded by the relentless hand of tribute which lies heavily upon it and which will lie more heavily upon it with each day that passes, because ocean freight rates are still rising.

Let me read from a few letters from actual shippers in various parts of the country.

MEMPHIS, TENN., *December 7, 1914.*

SECRETARY OF THE TREASURY,  
*Washington, D. C.*

DEAR SIR: I have on my desk several very important inquiries for cotton for Germany and feel satisfied that at least a million bales of cotton could be sold to Germany and Austria at once if freight room, at a reasonable price, could be secured and, above all, that the "war risk" would cover the shipments absolutely.

Now, can not you find a way for the Government to furnish us ships and guaranteeing the delivery of the cotton either at Gothenburg, Rotterdam, or Copenhagen? The importance of this move you can realize in a moment when you think that every bale of cotton that is held over and not spun becomes a weight on the market and reduces the chances of an advance later on that much. You can not grind the mill with the water that has passed, and when a spindle stops operating and the cotton is not being used it becomes a dead weight on the market, it matters not how much you advance against it.

Now, what we want is open markets, and a chance to ship out cotton. If this can be done, the cotton pool will only be used limitedly. The rate from New Orleans to-day to Gothenburg is \$1.50 per hundredweight and to Rotterdam \$2. This is three and four times the regular rate. Suppose a rate of \$1 was effected, and with a "war risk" of not over 50 cents per bale, this would enable you at once to take a million bales of cotton off of the market. Can't you suggest some outlet for these conditions?

A steamship loaded with 10,000 bales of cotton, at \$3 per hundredweight, or \$15 per bale, realizes, gross, \$150,000 for the cargo when the vessel itself is not worth exceeding \$125,000. For such conditions there certainly should be some remedy.

Yours, very truly,

JOSEPH NEWBURGER.

PENSACOLA, FLA., *December 12, 1914.*

Senator D. U. FLETCHER,  
*Washington, D. C.*

DEAR SENATOR: We here do not know whether to be amused or disgusted in regard to interviews given out by prominent gentlemen who should know better as to the great number of ships available for carrying freight and the ease in obtaining them.

If some of the gentlemen who talk this way would come down to this coast and see how our business is hampered by inability to get bottoms and the extraordinary freight rates charged, they might change their minds as to the abundance of vessels available. The fact is that freights are almost at a prohibitive figure, and vessels can hardly be obtained, even at the piratical prices asked.

Congress will be doing a great service for this coast if they can find some effective means of remedying this serious situation.

Very truly, yours,

C. E. DOBSON,  
*President Chamber of Commerce.*

The following is taken from a letter of E. J. Glenney, president of the New Orleans Cotton Exchange, dated December 12, 1914:

It has been a great problem with the cotton trade this season to obtain tonnage for cotton, the necessity for freight room for grain being greater than heretofore and the amount of tonnage available being smaller. The ship agents are compelled to pay \$10 to \$10.50 per ton of 2,240 pounds upon the dead-weight capacity of the vessel for cargo, as against \$2.50 to \$3 before the declaration of war.

The following is from the Schuler Cooperage Co., of Jacksonville, Fla., under date of December 22, 1914:

We are shippers of barrel headings from Savannah to Liverpool, and the established ocean rate was from 23 to 25 cents per hundred pounds. The first available space that we were able to obtain after August 1 was the latter part of October, at which time we were advised that the rate had been advanced to 30 cents. At the present the rate is 45 cents, or an advance of about 96 per cent.

This rate will prevent our making future shipments; hence we will be compelled to forego taking additional orders until after the normal rates are restored.

The following is from Cornelius Kahlen, exporter, of 349 Broadway, New York, dated December 22, 1914:

I desire to point out to you that I am an exporter of wrapping paper to European countries. At the present moment I expect to forward about 25 tons of wrapping paper in rolls from New York to Genoa, Italy, destined for Italian consumption. Before the outbreak of the war the ocean-freight rate quoted by the various steamship lines was 25 shillings, plus 5 per cent per ton weight of 2,240 pounds, but immediately after the commencement of the war the rates increased continuously, at times 40, 50, and 75 shillings.

I am now in receipt of a quotation from the Cunard Steamship Co., New York City, with reference to my above-mentioned shipment, and am quoted by this line the rate of 100 shillings, plus 5 per cent per ton weight of 2,240 pounds. This is a fourfold increase over the previous rates before the outbreak of the war and it makes the sale of the paper almost prohibitive.

The following is from the United States & Australasia Steamship Co., of New York, dated December 17, 1914:

In reference to a bill now before the Senate known as the "Ship purchase bill," authorizing the Government to purchase or charter ships to engage in foreign trade and to lease any of these ships to private corporations, we would respectfully ask that you file our application for Government steamers, should this bill become a law.

This is an American company, incorporated under the laws of New Jersey in 1898. We have been obliged to charter foreign steamers to care for exports to Australasia, and at the present time we are not able to charter steamers.

There are dispatched every year between 35 and 40 steamers from the port of New York to Australasia with a demand for goods from America constantly increasing.

The following is from a letter of O. G. Hempstead & Son, steamship agents and ship brokers, of Philadelphia, dated September 21, 1914:

But, on the other hand, the trade with South American ports by this country is almost negligible, being only 6 per cent of our total exports. There are practically no first-class steamers now plying between United States ports and South American ports on either the Atlantic or Pacific sides of South America. True, the Lamport & Holt and Prince Lines have regular sailings from New York to the east coast of South America, but the Prince Line steamers generally return to England. The Lloyd Brasileiro have ceased running their own boats, and now maintain infrequent sailings by means of chartered steamers, as do also Messrs. Funch, Edye & Co. The Atlas, Munson, and Luckenbach lines do not go to South American ports, and the steamers of Messrs. Barber & Co., R. P. Houston & Co., Norton, Lilly & Co., and the American & River Plate Line only maintain occasional sailings to Buenos Aires by means of tramp steamers.

On the west coast of South America there is a fairly good service maintained by Messrs. W. R. Grace & Co., The Wessel Duval Line, and the New York & South American Line, but I am convinced that with the stability only the United States could give to a regular line, and the class of service which could be established and

maintained, great and permanent benefit could be secured to the merchants and manufacturers of this country.

A line of steamers capable of plying between Philadelphia or New York at a 14-knot rate would bring Buenos Aires one week nearer to those ports, and if permanent sailing dates were named and maintained so that deliveries could be accurately anticipated (the most valuable asset of any steamship line) and the steamers were of the type now in vogue between our North Atlantic ports and Liverpool, Hamburg, and Bremen, so that passengers as well as freight could be carried, a great and valuable trade would open to the citizens of this country and those of South America.

I have quoted these letters almost in full because they present the actual conditions more vividly than I could portray them in any language of my own.

So long as this war continues these unfavorable conditions will not only continue but grow worse unless something is done. Who can say how long the war will last? Who can forecast accurately its effects and results? Is it reasonable, is it safe, is it right to remain idle any longer or to trust any further in the happening of some benevolent thing, through private agencies, that will secure and protect our foreign trade?

Not only has the war emphasized the imperative necessity for the quick creation of an American merchant marine, but it has created an exceptional opportunity for the extension of our trade in the open markets of the world. This is notably the case with South America. The commercial and financial relations of our friendly and growing southern neighbors have been seriously affected by the war. They are seeking, necessarily, new accommodations—new adjustments. Where can they find them so readily and advantageously as in our great country? And where will they be more welcome? Commenting on this matter, that able and distinguished diplomat, the ambassador of Argentina, Dr. Naon, said in a recent speech before the Commercial Club of Boston:

I do not know whether I am telling you anything new when I say that if we rely on the indications of our statistics the Argentine Republic constitutes one of the most important markets for the consumption of the manufactured products of the United States. In support of this fact I wish to present to your consideration a résumé of a number of comparative tables contained in an Argentine official publication entitled "International Argentine Commerce," which appeared in 1912. This is an official publication of the general bureau of commerce and industries of my country, and is issued under the responsibility of the ministry of agriculture. As a consequence, the figures appearing therein are as exact as it is possible to make them and the most authentic expression of facts. Gentlemen, these figures show that of the total exports from the United States to the South American Continent, 40.3 per cent entered the Argentine Republic. They also show that our country received 41.1 per cent of the total exports from the United Kingdom to said continent, 47.3 per cent of those from Germany, 49.7 per cent of those from Belgium, 50 per cent of those from France, 66.4 per cent of those from Italy, and 80 per cent of the exports from Spain to South America. It may thus be said that the Argentine Republic absorbed alone 60 per cent of the total exports of the world to the South American Continent. Hence, I do not believe that I am going too far when I say, in view of these figures, that they reveal with more eloquence than any address could the enormous purchasing power of my country. They also bear out the assertion made on more than one occasion that it constitutes a consumption market worthy of the best efforts of countries producing manufactured products, if those countries are desirous of obtaining now and in the future a certain means of meeting the demands of their commercial expansion.

One of the most sorrowful consequences of the war for us, aside from the sentiment and affection intensified by the close ties which bind us with the countries at war, *has been the almost complete paralysis of European importation—a paralysis which offers to the American market an unsurpassed opportunity for increasing to enormous proportions its commercial field, by supplying the needs which the European industry has ceased to provide for.*

Let us see now what practical method could be adopted for supplying those needs and increasing the amount of our international commerce.

There can surely be no better authority in this regard than the official word of the Argentine Government, as cabled some days ago to him who has the honor of addressing you at this moment. In this cablegram my Government says, in brief: "Our products are being exported without increased difficulties, but a scarcity of bottoms is foreseen in the near future for the transportation of our products. A very efficient means of overcoming the difficulty would be if vessels were to come from that country with the usual cargoes, namely, unrefined naptha, woods, iron, machinery and other agricultural implements, petroleum, furniture, lubricating oils, typewriters, machines, etc. These vessels would return with our products, such as refrigerated meats, wool, hides, quebracho, tannin, live stock, etc. American manufacturers could step into the place left by European industries in all branches formerly supplied by them, such as coal, steel rails, galvanized iron, woolen goods, pig and sheet iron, machinery in general, cement, locomotives, railway cars, refined sugar, automobiles, galvanized iron or steel wire, rail joints, sheet zinc, cotton fabrics, printing paper, electric wire and cables, iron pipes of all kinds, manufactures of iron and steel, household articles, woolen clothing, etc. The present moment offers to manufacturers of such articles most advantageous opportunities for openings, taking advantage of the shutting down of the European market. If they want to get it, it is for them to take the initiative by sending at least small cargoes, and especially by adapting themselves to the custom of not demanding payment on delivery, a custom which others have followed with marked success."

This, gentlemen, is the official word, inspired no doubt by the Argentine spirit, a spirit of good will and sympathy favoring the increase of our commercial bonds. From these words you may derive the following solutions, in our mind practical: First, enough vessels to meet demands of our commercial interchange; second, cultivation of the market by sending small cargoes and trustworthy agents to place them; third, the organization of our trade on a basis of credit similar to that established by European commerce.

With respect to the first practical solution, it is not for me to discuss its possibility. I believe, however, that if the case should arise the Argentine Government would facilitate, in so far as it was concerned, any initiative toward establishing new lines of maritime communication. I am also convinced that American and perhaps also Argentine capital will be stimulated by their own convenience to invest in the establishment of steamship lines which will strengthen the ties of all kinds which bind us together, thus imitating the example of the great commercial countries of Europe, which have derived so many benefits from our international commerce. I firmly believe that to assure the stability of our trade, both now and in the future, we must conduct it in our own American and Argentine vessels.

The possibilities offered by the purchasing power of Argentine commerce are well worthy of positive efforts; not words, but action; not wishes, but will, in order to be able to benefit fully therefrom. I do not believe I am wrong when I say that the Argentine Republic offers to American manufacturers to-day a consumption market of not less than 100,000,000 over and above present exports to our country, and to obtain such a result it would be worth while to expend in action a part of the effort now spent in more or less theoretical methods in thinking of it.

It may be true, as claimed, that there is at the moment ample tonnage offering for South America, but it may be stated with equal truth that the depression in South American trade and the disturbance of South American finances and credits by the European war, as outlined in the speech of the Argentine ambassador, from which I have quoted, have so reduced the demand that the supply of vessels may at this juncture be temporarily adequate. But this will not last. Revival of South American trade will soon come and our ships will be needed. South America's present supply of vessels is under foreign flags; the sailings are not sufficiently frequent or reliable; the rates of freight are high and exceedingly burdensome to American commerce and put our merchants and manufacturers at a permanent disadvantage with their European rivals.

To capture our share of these markets and all other competitive world markets, our business men must have the assurance of ocean transportation under the American flag equal in quality, reliability,

regularity, and frequency of sailings to that of their European competitors and at rates for freight that are equal to, if not better than, those enjoyed by their foreign rivals.

How can we expect our enterprising men to make large capital outlays to produce the particular goods required for the South American trade, or any special trade, and to enter upon an active campaign to get their share of the business, unless they have the certainty of transportation, at reasonable rates, for a sufficient length of time to establish the trade upon a firm and profitable basis? We must stand back of them through governmental action if we want them to succeed. We must develop South American and other foreign trade relations through the fundamental of sufficient transportation of the right sort, just as we developed the great West in the sixties by building, with governmental aid, the transcontinental railways, thereby adding an empire of territory and wealth to our national resources. I merely repeat a platitudinous axiom when I say that trade follows transportation. American trade in foreign markets will follow transportation under the American flag and thrive as it never did before. The markets of the world are before us—the Orient, as well as South America. Enterprise and courage are needed to secure them.

This is, as I said before, a question of vital national policy. It must not be considered in a narrow and partisan spirit. We must deal with it as statesmen, loving our country and wanting its welfare above partisan advantage and selfish interest. We must have highly developed vision and practical imagination to solve these questions.

We have passed a tariff law which has put us in position to reach out and take our share of the world's markets because we have broken down those barriers which made it difficult in the past for other nations to establish on a large scale reciprocal trade with us. Reciprocity in trade is essential to permanent commercial intercourse, and no enduring trade development can have any other basis. On top of a favoring tariff law we have passed a splendid piece of financial legislation—the Federal reserve act—which gives our bankers for the first time in our history the opportunity to establish branches in foreign countries, to extend American credits, and thereby to promote American commerce.

The only remaining thing to be done to make our conquest of foreign markets certain is to restore our merchant marine and enable our courageous and enterprising business men to carry our flag in the peaceful pursuits of commerce to every part of the civilized world. When we do that the American people will enter upon a career of solid, unfluctuating, and unexampled prosperity.

But we must act immediately. We must not waste time in useless talk. The insistent knock of opportunity must not go unheeded. We need the ships as quickly as men and money can provide them. If we could put a substantial number of American ships in the trans-Atlantic service to-day, it would immediately result in reducing the present extortionate rates to a more reasonable basis, as well as provide facilities not now procurable at any price.

As I said before, there seems to be an absolute unanimity of opinion throughout the country as to the necessity for the prompt creation of an American merchant marine. The only question is as to the method of getting it. Among the various remedies proposed are:

(1) *Subsidies*.—The Republican Party has always favored direct ship subsidies, but during all the years it had control of the Government and had the power to legislate it failed to put this policy into force. It either lacked the courage to do so or was unable to command the united support of its own followers in the enactment of such legislation. Whatever the cause it has utterly failed to do any effective or practical thing for the restoration of our merchant marine.

The Democratic Party, on the other hand, has uniformly opposed ship subsidies, and since it is now in control of both legislative and executive branches of the Government, and is irretrievably committed against such a policy, we may as well dismiss as impracticable and impossible the building up of our merchant marine through governmental bounties.

(2) *Discriminating duties in favor of goods shipped in American bottoms*.—A provision for discriminating duties is contained in the Simmons-Underwood tariff bill, enacted in 1913, but the Attorney General has held that it violates our treaty obligations with various foreign nations. This plan, therefore, must be dismissed as unworkable. Even if our treaties did not stand in the way, and we could enforce such discriminating duties in favor of our ships, it would be easy for other nations to retaliate with similar discriminations and thereby largely negate such a policy. Retaliatory reprisals of this character would only prove hurtful by creating irritation and ill will and prevent the building up of our trade under our own flag.

(3) *Guaranties by the Government of the principal and interest of bonds issued by private corporations engaged in shipping*.—This proposal has been urged, but it is not worthy of serious consideration. It would be the worst form of subsidy, to say nothing of the wholly indefensible policy of having the United States Government become the guarantor of the bonds of private corporations engaged in any sort of enterprise. Once we entered upon such a course, we should be asked to indorse the bonds of corporations engaged in other than ship enterprises. In time we should have the same kind of scrambling at Washington for governmental favor in the way of indorsements of obligations of private corporations that we had for bounties to favored interests under our old tariff laws. As between this kind of subsidiary and the granting of a direct subsidy under a general law applicable to all ships operating under the American flag, the latter would be far preferable.

(4) *Amendment of the navigation laws*.—Much has been said about changing our navigation laws in such manner as to make the field for private capital more attractive. It is said that our navigation laws are so unfavorable and put American shipowners at such a disadvantage that unless they are changed in numerous particulars it will be impossible ever to build up an American merchant marine. Even if our navigation laws could be changed to the extent proposed, there is no assurance that private capital would come forward quickly and provide our business men with the shipping facilities required in the present emergency. It is not, however, practicable to change our navigation laws to the extent which private capital demands, because the principal change relates to the wages of the American sailor.

It is stated that the wage standard for American labor makes the cost of operating American ships so much greater than the cost of

operating the ships of other nations that it is impossible for the American shipowner to compete with his foreign rivals. This may be overstatement, but whether it is or not, I think it can be said with certainty that public opinion in this country will never permit the passage of any legislation that will reduce the American sailor to the standard of the Asiatic and European sailor. Instead of lowering the standard of the American sailor, it is more likely to be increased. If, therefore, the wage scale of the American sailor is an insuperable obstacle, as alleged, to the investment of private capital in American shipping, we may dismiss as impracticable the enlistment of private capital in the upbuilding of our merchant marine through a change in our navigation laws. There are other features of our navigation laws which, it is said, must also be modified or amended, before private capital will enter the field, but it is not necessary to mention them.

If ship subsidies can not be obtained, if discriminating duties are unavailable, if Government guaranties of the bonds of private corporations can not be granted, if the standard of wages of the American sailor can not be lowered, if private capital can not, for all or any of these reasons, be induced to build up an American merchant marine, what is the remedy?

The only practicable suggestion that has yet been made is the shipping bill now pending in the Congress of the United States. This measure provides for direct Government action. It means business; it means prompt and effective work; it means the beginning of a merchant marine which will meet the present emergency and give prompt relief to our distressed foreign commerce; it means the upbuilding of a permanent merchant marine under our flag that will establish our commerce securely in the open markets of the world; it means the creation of a naval auxiliary which is absolutely indispensable if our Navy is to be an effective instrument for the national defense.

The essential features of the shipping bill are the organization of a private shipping corporation with a capital stock of \$10,000,000, 51 per cent of which is to be subscribed by the Government and the remainder is to be offered to public subscription. If the public does not subscribe, the Government will take all of the stock. A shipping board is created, consisting of the Secretary of the Treasury, the Postmaster General, and the Secretary of Commerce. This board is to have the voting power on the Government stock and general supervision over the shipping corporation. The active management of the corporation will, however, be conducted by its board of directors and officers, just as the affairs of the Panama Railroad Co. are conducted by its officers and directors under the general supervision of the War Department. Although the Government owns the entire capital stock of the Panama Railroad Co., that company has, as is well known, long operated successfully a line of steamships between New York and the Canal Zone.

In addition to the \$10,000,000 of capital stock of the proposed shipping corporation, \$30,000,000 of Panama Canal bonds, now in the Treasury, may be sold and the proceeds used for the purchase or construction of ships, which are to be turned over to the proposed corporation in consideration of a like amount of its 4 per cent bonds, which are to be held by the Treasurer of the United States and sold

at the discretion of the Government. The act authorizes the transfer to the new corporation of the ships of the Panama Railroad Co. and any vessels belonging to the War and Naval Establishments suitable for commercial purposes, and not required by the Army or Navy in time of peace, upon terms to be approved by the President of the United States.

These are the salient features of the bill. It will be observed that the Government does not engage in the shipping business; it is merely a stockholder, or the only stockholder in a private corporation engaged in such business. The officers and directors of the corporation will be chosen for their ability and knowledge of the shipping business, and the corporation will be managed like any other well-conducted business enterprise or organization. There is no reason why such a corporation can not be made just as successful as any other privately managed shipping corporation. It is not the purpose to operate the ships of the proposed corporation in competition with American ships where they are providing a sufficient and satisfactory service at reasonable rates to properly take care of and build up American trade.

The object is to have a fleet of vessels, many of which may be of the improved type of tramp steamer, which can be readily mobilized and thrown into service at any point or upon any routes where there is a special demand for vessels under the American flag; and also to establish certain definite steamship lines or routes, to be operated and maintained in such manner and at such reasonable rates as to give our merchants, manufacturers, and business men the assured transportation facilities which are indispensable to the upbuilding of our foreign trade and the extension and expansion of American enterprise.

The proposed corporation will also have the right to charter ships for its own service, or to make charter parties of its own ships to individuals and corporations for their purposes. It will, in fact, provide that mobile and flexible shipping organization without which it will be impossible ever to enlarge our foreign trade upon any permanent and secure basis.

The act does not require the shipping board to buy the ships of any particular foreign registry. It is needless to say that no unneutral act will be committed by the shipping board, nor will any worthless ships or junk be sold to the Government. Suitable vessels for the purpose will be purchased, if they can be found, and suitable vessels will also be constructed. The purpose is to give our shipyards as many orders as possible, because it is realized that in order to create and maintain a satisfactory merchant marine under our flag, our shipyards must be encouraged to provide and maintain the necessary facilities. With such encouragement, it is only a question of a short time when our shipyards will be able to build ships in competition with the world. The larger the American merchant marine the more quickly and certainly will our shipyards be able to establish a shipbuilding business of large and profitable proportions.

Some timid people have argued that if the Government is interested as a stockholder in a shipping company, and a ship of such company should be seized by a belligerent and brought into a prize court, the sovereignty of the Government would be involved. There is no ground whatever for this view. If the Government operated

ships outright, just as it operates the vessels of our Navy, an awkward situation of this character might arise; but where a nation is merely a stockholder, or the sole stockholder, in a private corporation, its sovereignty is not and can not be directly involved if the ships of such a corporation become the subjects of litigation in a prize court concerning any issue which does not involve the Government itself. The Government would stand in relation to such a corporation exactly as any individual stockholder does to a corporation in which he is interested. A suit against the corporation does not necessarily involve the shareholders.

The only objection seriously urged by the opponents of the bill is that it puts the Government in the shipping business. This has a familiar sound. I remember that when the Federal reserve act was being formulated and while it was on its passage in the Congress it was strenuously opposed on the ground that it put the Government in the banking business. The currency bill does put the Government in the banking business to some extent, and to the extent that it does the Government ought to be in the banking business.

Let us see what it does: In the first place, it has compelled the national banks of the country to consolidate a large part of their reserves in twelve different reserve banks for the purpose of enabling these reserve banks to come swiftly to the assistance of each other and to the assistance of their member banks whenever injury threatens and whenever the commerce and industry of the country require. This act has put us in position to throw the weight of the banking power of the country at any time, and upon a moment's notice, to any weak spot. This is accomplished through the Federal Reserve Board, sitting at Washington. This board also has the power to review and determine the interest rates that may be charged by the Federal reserve banks and through this power to influence greater uniformity in interest rates throughout the country and the keeping of interest rates within more reasonable limits. The very existence of these powers, to say nothing of their judicious exercise, is a matter of inestimable value to the business interests of the country. There is no man engaged in trade who will not feel directly, or indirectly, its beneficial influence. This has already been conclusively demonstrated, although the act has been in operation but a short time.

The shipping board will exercise analogously an immensely beneficial influence upon our foreign commerce. Just as the Federal Reserve Board is able to throw the banking power of the country to any weak spot for the purpose of protecting our domestic, financial, and commercial situation, so the shipping board, through the proposed shipping corporation, will be able to move its mobile fleet of steamers to any weak spot that may develop in our ocean transportation system and give relief to our foreign commerce. The shipping board may exercise a determining influence upon the general ocean freight situation by establishing reasonable rates for the vessels operated by the shipping corporation, with corresponding benefit to the American shipper. One of the weaknesses in the movement of our foreign commerce is our utter inability, under existing conditions, to prevent arbitrary and excessive freight charges by foreign steamship companies. Through the means I have described we shall have the power to protect ourselves if the shipping bill becomes a law.

The extension of our foreign commerce by means of a well established American merchant marine will directly benefit our railroad companies because of the increased traffic which they will haul to and from our seaports. There is no reason why an extremely effective cooperation and coordination of our railroad and steamship facilities can not be brought about if this shipping board is established, just as such cooperation exists between the steamship lines and railroads of foreign countries. Such a development would enormously strengthen the American economic situation and make it all the more certain that our merchants and manufacturers can reach out and take their legitimate share of the world's trade.

The objection that the shipping bill puts the Government in the shipping business is not tenable. Those who urge it seem to forget that it is the duty of the Government to engage in any activities, even of a business nature, which are demanded in the interest of *all* the people of the country, when it is impossible to engage private capital in such operations.

Just after the outbreak of the European War, when our foreign exchanges had been completely deranged with great hurt to our foreign trade, a conference was held at the Treasury Department in Washington for the purpose of devising methods to protect the American situation. At that conference there were many representative men of the business, financial, and shipping world, such, for instance, as James A. Farrell, president of the United States Steel Corporation; P. A. S. Franklin, vice president of the International Mercantile Marine; Robert Dollar, a prominent shipowner of San Francisco; James J. Hill, of St. Paul; Edwin N. Hurley, of Chicago; John D. Ryan, of New York; E. P. Thomas, president of the United States Steel Products Co., of New York; John H. Fahey, president of the Chamber of Commerce of the United States; Seth Low, president of the Chamber of Commerce of New York; Julius Barnes and H. E. Rycroft, of the Chicago Board of Trade; James G. Andrews, of Minneapolis; F. R. Eaton, of the Washburn-Crosby Co., Minneapolis; and L. E. Moses, of Kansas City, Mo., representing the West and Northwestern milling interests; J. P. Morgan, James Speyer, James Brown, and Benjamin Strong, jr., representing New York foreign exchange and banking interests; besides other prominent men whose names I am obliged to omit for lack of time. These gentlemen adopted the following resolution:

*Resolved*, That this conference urge the United States Government to establish a bureau of war risk insurance, to be administered under the direction of a suitable Government department by a board of three or five members, which shall assume the risks of war on American vessels and American cargoes shipped or to be shipped hereon whenever in the judgment of the board it shall appear that American vessels or shippers on American vessels are unable, in any particular trade, to compete on equal terms with the vessels or shippers of other nationalities by reason of the protection offered such other carriers or shippers by arrangements for war indemnity through their Governments, and that such board have power to fix rates of premium, subject to change, to each country or for each class of cargo.

You will observe that they strongly favored and urged that the United States Government go into the war risk insurance business. Why? Because private capital would not engage in this business and because it was essential to afford immediately this protection to our foreign commerce if it was not to cease altogether. War risk insurance is just as essential an element in the shipping business as

the hulls of the ships themselves. No shipowner and no shipper will send a ship and cargo to sea without war risk insurance in time of war and without marine insurance in times of peace or war.

These representative business men did not hesitate to advocate strongly the Government going into a part of the shipping business, viz, the war risk insurance business. It was a perfectly reasonable and defensible thing to do. They urged it because private capital would not engage in it, just as it will not engage in an American mercantile marine. The Congress of the United States promptly enacted the desired law and the Government is in the war risk insurance business to-day. What it has done for our commerce already can not be estimated in figures alone. It has not only supplied indispensable protection, without which our commerce would not have moved across the seas, but it has also secured to the American shippers reasonable rates and prompt indemnity. It has protected them against extortionate charges. At the same time the business has been conducted in such a way as to protect the Government, through reasonable rates, for the risks assumed. Congress passed the law on September 2, 1914. Up to December 23, 1914, the total amount of war risk insurance issued was \$25,544,106 and the total premiums collected \$591,572. No losses of any consequence had been incurred up to that date, and the total cost of operating the bureau up to that time had not exceeded \$6,000. Yet "they say" that the Government can not successfully manage a business undertaking.

The representative business men whose names I have given made a distinct declaration in favor of—

(1) The Government engaging in the insurance business for the express purpose of enabling American vessels or shippers on American vessels "to compete, on equal terms, with the vessels or shippers of other nationalities," and

(2) The establishment of a board with power to fix rates of premium, etc.

Now, this is exactly what the shipping bill is intended to do for our merchant marine. As private capital can not be obtained for this great enterprise, and as the need, like that for war risk insurance, is immediate and imperative, it is proposed—

(1) To have the Government engage in the shipping business for the purpose of enabling American vessels or shippers on American vessels "to compete, on equal terms, with the shippers of other nationalities," and

(2) To establish a shipping board which will have the power to fix the rates for our shippers on such American vessels, and thereby the more certainly to secure to our shippers that degree of equality and protection in the foreign trade which will enable them to compete successfully with their foreign rivals.

The war risk insurance bill was passed on September 2 by the votes of Republicans, Democrats, and Progressives alike. In the Senate there was no roll call, the vote being yea and nay. In the House of Representatives Democrats, Republicans, and Progressives voted in favor of the bill, which passed by an overwhelming majority. Here is a striking instance where all political parties and business men of the country, regardless of political faith, deliberately supported the principle of the Government going into the most private kind of private business for the purpose of protecting the com-

merce of the country. It may be argued that the War Risk Insurance Bureau is to continue only for the period of the war, and that therefore it does not establish a precedent. War risk insurance can not, of course, last longer than the war, because the necessity for it expires with the return of peace, but the necessity for an American merchant marine will continue during times of peace as well as during times of war. The principle, however, of the Government going into private business for the purpose of protecting the commerce of the country is not altered by the fact that a part of the business in which it may engage is of a temporary character. There is ample precedent for the Government going into private business. We have numerous notable instances where broad national policy and the protection of the people of the country made such action on the part of the Government essential.

Let me refer again to the Panama Railroad Co., which operates a railroad on the Isthmus and a steamship line between New York and Panama. The Government bought the entire stock of the Panama Railroad Co., and has operated with great success a line of steamships between New York and Panama for years. Now that the canal has been completed, the railroad across the Isthmus has become of small importance, but the steamship line between New York and Panama is of great value to the country and must be continued. Not only has a regular and reliable steamship service been maintained, but a favorable influence has been exerted on freight rates throughout Central and South America, where the Panama steamship lines and railroad have been a factor.

The Panama Railroad and steamships have been operated under Government supervision at a profit always. Here is a striking instance of the successful conduct of business under Government control and supervision.

What has been successfully accomplished by the Panama Steamship Line can be accomplished by the steamship company which the pending bill proposes to create.

Recently the Government has gone into the railroad business in the Territory of Alaska. The development of the resources of this great Territory has been delayed by the failure of private capital to undertake the essential enterprise of transportation. Congress has recently passed a law authorizing the construction by the Government of a system of railways in Alaska.

Just as it became necessary in the case of the Pacific railways for the Government to shoulder the burden of the large initial expenditure necessary for their construction, so is it necessary for the Government to provide the means of transportation in Alaska, because private capital will not take the risks and incur the initial losses which must be spread over a number of years until the development of the country will make the railway lines self-supporting and profitable. This development should be all the more rapid under Government auspices because the railroad company will be able to make reasonable and favorable rates for the transportation of freight and passengers. The same thing is being done in Alaska that we did in the case of the Pacific railways, except that the Government is not building the Alaskan railways with its own money in the form of subsidies and presenting the system when completed to favored individuals, but is

retaining possession of the system in order to operate it under such conditions and upon such terms as will most rapidly develop the Alaskan territory for the benefit and enrichment of all the people of our country.

For all these years we have waited for private capital to develop Alaska. Is there anyone who would advocate a continuation of the policy of expectant waiting for private capital and the continued neglect of the great resources of the Alaskan territory?

The objection that "the Government must never go into private business," even though private capital refuses to engage in such business, when the interests of the people imperatively demand it, is always urged against any progressive step of this character. Are we to be bound by a mere dogma of this sort? Are we to be deterred from doing, through the agencies of Government, what is essential to the welfare of our people, when private capital can not be secured? While I believe that the Government should not engage in business where private enterprise can be depended upon for the purpose, I am not afraid of the Government going into business where private capital refuses, and where the business in which the Government is to engage is for the benefit of *all* the people of the country. I am afraid of the Government going into private business only when it is for the benefit of special interests or to serve the selfish purposes of some particular class.

For 50 years we have waited for private capital to provide an American merchant marine. For 50 years our foreign trade has languished while we have waited. Shall we wait any longer upon a fatuous hope or lean any longer upon a broken reed?

If the shipping bill is objected to by our opponents, what practical suggestion or remedy have they to offer? The American people will not be content with academic objections. They do not want a practical plan rejected unless a better substitute is offered. Let the opponents of this bill present such a substitute or let them hold their peace.

Will the Republicans, Democrats, and Progressives in Congress meet the cry of the American manufacturer, the American business man, and the American banker by immediately passing this measure, which will set our great country upon a new career of world influence? Will they vote now to carry out their long neglected pledges to the people? Will they emancipate American commerce from dependence upon foreign vessels and set it safely on the highway of peaceful conquest, under the American flag, of the open markets of the world?

